

QUEENSTON GOLD MINES LIMITED

1971 Annual Report

FOR THE YEAR ENDED
DECEMBER 31, 1971

QUEENSTON GOLD MINES LIMITED



REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 31st DECEMBER, 1971

DIRECTORS

J. W. McBean
E. T. Donaldson
J. C. McBean
F. G. Carrotte
J. H. Botsford
R. M. Gray

OFFICERS

J. W. McBean, President
J. C. McBean, Vice-President
F. G. Carrotte, Vice-President
B. J. Anderson, Secretary-Treasurer

TRANSFER AGENTS Crown Trust Company, Toronto, Ont.

AUDITORS Clarkson, Gordon & Co., London, Ont.

HEAD OFFICE 6 Hudson Bay Avenue, Kirkland Lake, Ontario

QUEENSTON GOLD MINES LIMITED

REPORT OF THE DIRECTORS

TO THE SHAREHOLDERS:

Enclosed herewith is Notice of the Annual Meeting of Shareholders and Information Circular together with the Financial Statements of the Company for the year ended December 31, 1971.

Your Company's gold property in the Kirkland Lake area is maintained in good standing. It has several potential gold ore bodies and includes a large acreage of untested ground located on a regional structural feature considered favourable for gold mineralization.

The rising price of gold on the free market has revived interest in this property. The possibilities for development are kept under constant review.

Bankeno Mines Limited shares are an important investment of your Company. Bankeno holds a 2.26% shareholding interest in Panarctic Oils Ltd. which is conducting a continuous major drilling program in the Canadian Arctic Islands. In addition, Bankeno has interests in 6,729,771 land acres most of which are farmed out directly or indirectly to Panarctic.

Panarctic drilling has yielded three gas wells which indicate the presence of three potentially major fields. In 1972, Panarctic drilled two oil discovery wells located 300 miles apart. Although the latter individual wells may not be economic in the Arctic Islands, they enhance the possibility of locating economic production over a broad area in the Sverdrup Basin.

Year round drilling continues with nine oil rigs. It is expected that a minimum of twelve oil rigs will be employed in the Arctic Islands in the period 1972-1973.

A potentially large deposit of zinc-lead ore of substantial thickness, a major part of which exceeds 20% in combined zinc and lead content, was discovered on the Bankeno Polaris claim group on Little Cornwallis Island in 1971. The geological evidence for continuity and inferred tonnage for this high grade deposit prompted the formation of a new company, Arvik Mines Ltd., on October 1, 1971.

Arvik Mines is capitalized at \$20,000,000.00. All of the common shares are issued 75% to Cominco and 25% to Bankeno. The number and equity rights of issued common shares shall not be altered except by resolution of 90% of common stock shareholders. Cominco has management control of Arvik Mines and will conduct all operations and provide necessary capital for production at its sole cost and expense. Arvik dividends will be paid as to 80% for interest and pro rata redemption of preferred shares and 20% for common stock dividends.

Arvik Mines is operating in 1972 on a budget of close to \$1,000,000.00. Diamond drilling started on the property on May 11, 1972. The object of this season's program is to confirm and extend inferred tonnage and grade to permit the planning of underground work for 1973. It is proposed that entry to the Arvik ore bodies will be by inclined ramp or adit.

Three diamond drills, one of deep hole capabilities, are employed on the present program. The depth limits of mineralization will be probed during the season.

Captain Pullen of Northern Associates, a group with experience in Arctic shipping, has been commissioned by Arvik to undertake a preliminary feasibility study on shipping concentrates from Little Cornwallis Island. Currently ice measurements and depth soundings off Little Cornwallis Island are proceeding.

Arvik proposes to engage a site consultant for evaluation of ecological factors. A topographic contour map of the West end of Little Cornwallis Island is in preparation.

Planning is proceeding for diamond drilling and exploration of the Arvik Eclipse zinc-lead showings in 1973. This latter location is 18 miles East of the Polaris Claim Group. Ocean shipment from Montreal to Little Cornwallis Island of equipment and supplies for the 1973 program has been arranged.

The oil drilling activity on Bankeno interest ground and the development program outlined for the zinc-lead properties suggest that 1972-1973 could be a very eventful year for Bankeno Mines Limited.

Mr. T. J. Day has retired from the Board after a record length of service. We will miss his wise counsel but wish him well on his retirement.

J. W. McBEAN,
President.

May 18, 1972

QUEENSTON GOLD MINES LIMITED

(Incorporated under the laws of Ontario)

BALANCE SHEET

(with comparative figures for 1970)

A S S E T S		1971	1970
CURRENT:			
Cash	\$	9,396	\$ 8,526
Chartered bank deposit receipts			240,000
Accrued interest receivable		493	947
		<u>9,889</u>	<u>249,473</u>
INVESTMENTS - AT COST			
Shares with a quoted market value (market value - 1971 - \$716,050; 1970 - \$336,750) (note 1)		272,758	33,358
Shares with no quoted market value		1	1
		<u>272,759</u>	<u>33,359</u>
FIXED:			
Buildings and equipment - at cost less amounts written-off		6,300	6,300
Mining properties - at cost		369,218	369,218
Real estate - at cost		12,150	12,150
		<u>387,668</u>	<u>387,668</u>
DEFERRED EXPENDITURES (NOTE 2):			
Exploration and development		1,001,181	999,542
Head office and administration		126,962	127,550
		<u>1,128,143</u>	<u>1,127,092</u>
On behalf of the Board			
J. W. McBEAN, Director.			
F. G. CARROTTE, Director.			
		<u>\$ 1,798,459</u>	<u>\$ 1,797,592</u>

To the Shareholders of

QUEENSTON GOLD MINES LIMITED

We have examined the balance sheet of Queenston Gold Mines Limited as at December 31, 1971 and the statements of retained earnings, deferred expenditures and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

London, Canada.
March 29, 1972.

AUDIT

D MINES LIMITED

(In accordance with the laws of Ontario)

DECEMBER 31, 1971

(December 31, 1970)

LIABILITIES

	1971	1970
CURRENT:		
Accounts payable and accrued charges	\$ 1,570	\$ 703
SHAREHOLDERS' EQUITY		
Capital -		
Authorized:		
6,000,000 shares of \$1.00 each		
Issued and fully paid:		
4,700,000 shares	4,700,000	4,700,000
Less discount on shares	2,924,579	2,924,579
	1,775,421	1,775,421
Retained earnings	21,468	21,468
	1,796,889	1,796,889

NOTES:

1. SHARES WITH QUOTED MARKET VALUES

The market value of these shares is based on closing bid prices at December 31, 1971. In the case of large shareholdings, such prices do not necessarily represent the realizable value of the company's holdings which may be worth more or less than indicated market value.

2. DEFERRED EXPENDITURES

All exploration and development and other expenditures have been deferred until such time as the company's properties are brought into production or abandoned.

\$ 1,798,459 \$ 1,797,592

REPORT

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1971 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

CLARKSON, GORDON & CO.,

Chartered Accountants

QUEENSTON GOLD MINES LIMITED

STATEMENT OF RETAINED EARNINGS

Year Ended December 31, 1971
(with comparative figures for 1970)

	1971	1970
Balance beginning of year	\$ 21,468	\$ 22,305
Less write-off of office equipment		837
Balance end of year	<u>\$ 21,468</u>	<u>\$ 21,468</u>

STATEMENT OF DEFERRED EXPENDITURES

Year Ended December 31, 1971
(with comparative figures for 1970)

	1971	1970
EXPLORATION AND DEVELOPMENT:		
Balance beginning of year	\$ 999,542	\$ 980,831
Fire and liability insurance	168	168
Taxes - realty, school and acreage	1,471	1,155
Assaying		142
Diamond drilling		17,246
Balance end of year	<u>\$ 1,001,181</u>	<u>\$ 999,542</u>
HEAD OFFICE AND ADMINISTRATION:		
Balance beginning of year	\$ 127,550	\$ 140,398
Printing and stationery	1,755	1,261
Transfer agent and registrar	1,725	3,000
Ontario capital tax	268	50
Licenses and government fees	350	210
Legal and audit	1,644	803
Travel	215	
Interest and bank charges	2,765	
	<u>136,272</u>	<u>145,722</u>
Less investment income	9,310	18,172
Balance end of year	<u>\$ 126,962</u>	<u>\$ 127,550</u>

QUEENSTON GOLD MINES LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year Ended December 31, 1971

(with comparative figures for 1970)

	1971	1970
Working capital at beginning of year	\$ 248,770	\$ 254,633
SOURCE OF FUNDS:		
Investment income	9,310	18,172
APPLICATION OF FUNDS:		
Purchase of investments	239,400	
Exploration and development expenditures	1,639	18,711
Head office and administrative expenditures	8,722	5,324
	249,761	24,035
Decrease in working capital	240,451	(5,863)
Working capital at end of year	\$ 8,319	\$ 248,770

